

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 EB-08 ISO-00 MMO-04 USIA-15 /038 W
-----211221Z 042650 /10

R 202230Z APR 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 1194
INFO AMCONSUL SAO PAULO
AMCONSUL RIO DE JANEIRO

UNCLAS SECTION 1 OF 2 BRASILIA 3176

E.O. 11652: N/A
TAGS: BEXP BR
SUBJECT: PRELIMINARY INPUTS FOR FY 1979 COUNTRY COMMERCIAL PROGRAM
REF: STATE 044899

1. THE COUNTRY COMMERCIAL ACTION GROUP MET ON APRIL 19
AND APPROVED THE FOLLOWING PROPOSALS FOR INCLUSION IN
THE FY 1979 COUNTRY COMMERCIAL PROGRAM FOR BRAZIL. THE
PRODUCT CATEGORIES LISTED AS CAMPAIGNS ARE THOSE SEEN
AS PRIME PROSPECTS FOR TRADE CENTER SHOWS.

2. CAMPAIGN NO. 1. PRIORITY NO. 1. MACHINE TOOLS.
BRAZILIAN CONSUMPTION OF MACHINE TOOLS IS RISING AT A
STEADY RATE. DOMESTIC PRODUCTION IS ALSO INCREASING,
PARTICULARLY WITH RESPECT TO MASS-PRODUCED MACHINES,
BUT IS NOT KEEPING PACE WITH THE GROWTH IN DEMAND.
IN THE CASE OF SOPHISTICATED MADE-TO-ORDER MACHINES,
BRAZILIAN PRODUCERS HAVE AN 18 MONTH BACKLOG OF ORDERS.
US EXPORTS OF MACHINE TOOLS TO BRAZIL TOTALED ALMOST
\$70 MILLION IN 1975. FUTURE PROSPECTS FOR SALES OF
ADVANCED US PRODUCTS ARE GOOD.

3. CAMPAIGN NO. 2. PRIORITY NO. 2. ELECTRONIC
INDUSTRY PRODUCTION EQUIPMENT. THE GOB'S POLICY OF
INCREASING THE NATIONAL CONTENT OF ELECTRONIC PRO-
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DUCTS SHOULD PROMOTE THE DOMESTIC PRODUCTION OF
ELECTRONIC EQUIPMENT AND COMPONENTS, THUS CREATING
A GROWING DEMAND FOR PRODUCTION EQUIPMENT.

4. CAMPAIGN NO. 3. PRIORITY NO. 3. PLASTIC PRO-
DUCTION EQUIPMENT. THE COMPLETION OF THE PETROCHE-
MICAL POLES IN BAHIA AND RIO GRANDE DO SUL WILL

PROVIDE PRIMARY MATERIALS PERMITTING A SUBSTANTIAL
EXPANSION OF THE PRODUCTION OF PLASTIC PRODUCTS.

5. CAMPAIGN NO. 4. PRIORITY NO. 4. TEXTILE
MACHINERY. THE BRAZILIAN ARTIFICIAL AND SYNTHETIC
TEXTILE INDUSTRY HAS BEEN HELD BACK BY SHORTAGE
OF RAW MATERIALS. THIS SHOULD BE OVERCOME BY THE
DEVELOPMENT OF THE PETROCHEMICAL INDUSTRY.
THE SYNTHETIC FIBER INDUSTRY PLANS TO ALMOST DOUBLE
CAPACITY BY 1980. THE GOB HAS NOT BEEN GIVING
PRIORITY TO THE DEVELOPMENT OF THE DOMESTIC TEXTILE
MACHINERY INDUSTRY. THUS IMPORTS ARE EXPECTED
TO CONTINUE TO HOLD A GOOD SHARE OF THE BRAZILIAN
MARKET FOR TEXTILE MACHINERY.

6. CAMPAING NO. 5. PRIORITY NO. 6. LABORATORY AND
SCIENTIFIC INSTRUMENTS. THIS IS A RAPIDLY GROWING
FIELD IN BRAZIL AND ONE WHICH IS HIGHLY DEPENDENT ON
IMPORTS.

7. OTHER POST ACTIVITY NO. 1. PRIORITY NO. 5.
CHEMICAL AND PETROCHEMICAL EQUIPMENT. THIS IS A
SECTOR ASSIGNED HIGH PRIORITY BY THE GOB AND IN
* :# 5#3 -(?)856 9* ?4-"8)8-, 8,\$7 546 59 700)6
5#3 43178RED EQUIPMENT IS RELATIVELY LOW.

8. ACTIVITY NO. 2. PRIORITY NO. 7. DIRECT REDUCTION
STEEL. IF BY FY 1979 THE BRAZILIAN STEEL INDUSTRY HAS
SORTED OUT ITS TECHNICAL AND ADMINSTRATIVE PROBLEMS
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THERE MAY BE OPPORTUNITIES TO SUPPLY DIRECT REDUCTION
EQUIPMENT AND TECHNOLOGY. THE REPORTED PLAN TO SET UP
A LARGE NUMBER OF SMALL STEEL MILLS COULD ALSO OFFER
NEW EXPORT OPPORTUNITIES.

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9. ACTIVITY NO. 3. PRIORITY NO. 8. COMMUNICATIONS
EQUIPMENT. AT PRESENT THE COMMUNICATIONS SECTOR HAS
BEEN ASSIGNED A LOW PRIORITY BY THE GOB. HOWEVER,
SOONER OR LATER INVESTMENT IN THIS SECTOR WILL HAVE
TO BE INCREASED SUBSTANTIALLY IN ORDER TO SATISFY THE

ESSENTIAL NEEDS OF A RAPIDLY DEVELOPING COUNTRY. IN
ANY CASE, THERE IS A STEADY DEMAND FOR RADIO AND TV
BROADCASTING EQUIPMENT, WHICH IS LARGELY INDEPENDENT
OF GOB INVESTMENT POLICY.

10. ACTIVITY NO. 4. PRIORITY NO. 9. ENERGY SYSTEMS
FOR PLANTS. THERE IS A STEADY DEMAND FOR SELF-CON-
TAINED POWER GENERATING AND DISTRI-
BUTION SYSTEMS FOR INDIVIDUAL FACTORIES. SOME BRA-
ZILIAN EXPORTS PREDICT THAT ELETROBRAS WILL BECOME
UNABLE TO KEEP UP WITH THE GROWING DEMAND FOR ELECTRIC
POWER AND THAT SHORTAGES WILL BEGINS TO BE FELT
IN THE INDUSTRIAL AREAS OF THE SOUTHEAST BEGINNING IN
1981. THIS COULD STIMULATE THE DEMAND FOR SELF-CON-
TAINED GENERATING UNITS IN PLANTS.

11. ACTIVITY NO. 5. PRIORITY NO. 10. MINING AND
MATERIALS HANDLING MACHINERY. THIS IS CAMPAIGN NO. 2
IN THE 1978 CCP AND WILL BE THE THEME OF THE
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NOVEMBER 1977 TRADE CENTER SHOW. HOWEVER, IT IS A
FIELD OF SUCH MAGNITUDE THAT IT SHOULD NOT BE
NEGLECTED IN FY 1979.

12. ACTIVITY NO. 6. PRIORITY NO. 11. COMPUTERS AND
PERIPHERAL EQUIPMENT. MARKET RESEARCH PREDICTS A
CONTINUING GROWTH OF DEMAND IN THIS AREA. HOWEVER,
THE GOB HAS EVIDENCED SOME RESERVATIONS ABOUT THE
CONTINUED NEED FOR LARGE SCALE IMPORTS OF COMPUTERS.
THE EXTENT TO WHICH WE WILL BE ABLE TO CAPITALIZE
ON THE DEMAND WILL THUS DEPEND TO A LARGE EXTENT ON
THE ATTITUDE OF THE GOB.

13. IT WILL BE NOTED THAT THE CCAG HAS LISTED 11

POSSIBLE CAMPAINGS AND ACTIVITIES. HOWEVER, THE
RESOURCES WHICH ARE LIKELY TO THE AVAILABLE TO THE
COUNTRY COMMECIAL PROGRAM IN FY 1979 WILL PERMIT
EFFECTIVE SUPPORT OF NO MORE THAN 8 OR 9 CAMPAIGNS
AND ACTIVITIES. WE WOULD, THEREFORE, EXPECT THAT
OUR CONSULTATIONS WITH WASHINGTON OVER THE COMING
YEAR WILL RESULT IN THE SELECTION OF 8, OR POSSIBLY
9, CATEGORIES IN WHICH OUR PROMOTIONAL
ACTIVITIES SHOULD BE CONCENTRATED.
CRIMMINS

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